

To: Corporate and Finance Services Committee

From: Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department

Report Number: CF-23-56

Date of Report: September 6, 2023

Date of Meeting: September 11, 2023

Subject: Revolving Energy Fund Reserve Update

Ward: All Wards

File: 03-05

1.0 Purpose

The purpose of this report is to obtain Council approval to update, modernize and expand the use of the Revolving Energy Fund (R.E.F.) reserve to support the City's Corporate Energy Management Plan approved through Report SF-23-20.

2.0 Recommendation

That the Corporate and Finance Services Committee recommend to City Council:

That pursuant to Report CF-23-56, dated September 6, 2023, Revolving Energy Fund Reserve Update:

1. That the Revolving Energy Fund reserve be transformed to support the City's Corporate Energy Management Plan; and
2. That additional sources of funding for the Revolving Energy Fund reserve be considered as part of the update to the Financial Strategy; and
3. That the 10% cap on expenditures from the Revolving Energy Fund be increased to 25% of the uncommitted reserve balance to a maximum of \$500,000; and
4. That the Revolving Energy Fund reserve be renamed the "Energy Management Fund".

3.0 Executive Summary

N/A

4.0 Input From Other Sources

Facilities Management Services

Region of Durham

City of Guelph

City of Toronto

5.0 Analysis

5.1 Background

The Revolving Energy Fund (R.E.F.) reserve, approved by Report FIN-18-28, was established as a method to financially support energy conservation projects and initiatives such as energy retrofits, pilot projects for new energy efficient technologies, and incremental retrofit costs of higher energy efficiency options. Projects must support the goals and objectives of the Council approved Corporate Energy Management Plan (C.E.M.P.) and the corporate portion of the Council endorsed Partners for Climate Protection (P.C.P.) Program, as it relates to facility energy conservation initiatives.

The reserve is currently funded by energy related incentives, utility savings, and maintenance cost avoidance. The R.E.F. reserve balance has grown to \$1.3 million from 2018 to 2022, including interest. As approved by FIN-18-28, annual withdrawals from the reserve are not to exceed 10% of the uncommitted balance to allow the reserve to grow, unless otherwise approved by Council. To date, no expenditures have been made from this reserve, in part due to the 10% cap restriction, but also, the availability of alternative funding sources such as the Canadian Community Building Fund.

5.2 Municipal Survey

The following summarizes local municipalities that have developed programs and reserves to address energy conservation and de-carbonization of municipal assets.

| <i>Municipality</i> | <i>Description</i> | <i>Uses</i> | <i>Funding Sources</i> |
|--------------------------------|--|--|---|
| <i>Region of Durham</i> | Established the Climate Mitigation and Environmental Initiatives reserve fund to invest in projects that enhance the Region’s response to climate change. Established five-year targets for emissions reductions beginning in 2022 that are in line with their net zero by 2045 | Grouped by established categories including high–performance new buildings, deep energy retrofits of existing buildings, region-wide nature-based climate solutions, and vulnerability and risk assessments. | Determined through the annual business planning and budget process based on priorities highlighted in their annual Climate Change Report plus a |

| <i>Municipality</i> | <i>Description</i> | <i>Uses</i> | <i>Funding Sources</i> |
|------------------------|---|---|--|
| | trajectory and developed strategies for meeting those targets. | | one-time transfer from the General Levy Stabilization Reserve Fund |
| City of Guelph | Established a dedicated reserve (100re) to provide funding for and to be used for capital and operating projects/expenditures that contribute to its stated goal of reaching 100% renewable energy by 2050. | 2023 budget themes included investing in renewable energy to fund the electrification of 35 aged conventional transit fleet buses over eight years, significantly reducing the City's carbon footprint. | Development of a long term target reserve balance is in progress. |
| City of Toronto | Established a green roof policy which requires new buildings constructed by the City and its Agencies, Boards and Commissions to provide a green roof covering 50% of all Available Roof Space. | N/A | N/A |

5.3 Proposed Changes to the City's R.E.F.

“De-carbonization” refers to the process of reducing greenhouse gas emissions related to the construction, operation and procurement activities supporting the City’s corporate assets. In order to continue the City’s de-carbonization initiatives, reduction of greenhouse gas emissions and to provide for a sustainable manner of investing in additional green initiatives, it is recommended that the use of the R.E.F. be transformed to address a broader range of energy efficient projects.

Expanding the use of the R.E.F. would provide funding to support initiatives such as:

- renewable / distributed energy generation and alternative energy sources i.e. solar and waste to energy solutions, district heating, cooling or geothermal projects;
- facility assessments, technical studies and preliminary system designs to support low-carbon / net-zero carbon buildings;
- specification, procurement, and implementation of measurement and verification equipment for purposes of data collection and energy monitoring.

The benefits of expanding the use of the R.E.F. include but are not limited to:

- providing essential energy conservation planning and shovel ready designs to increase the potential to respond to grant and incentive opportunities;
- providing proactive capital alignment;
- providing for a sustainable method of investing in and supporting a broader range of de-carbonization and risk avoidance initiatives related to the City's corporate assets; and
- alignment with the Oshawa Strategic Plan, Financial Strategy and C.E.M.P.

As a result of the expanded use of the funds, it is recommended that the reserve be renamed the "Energy Management Fund" to better reflect the intended use of the reserve.

In addition, increasing the cap from 10% to 25% of the uncommitted reserve balance to a maximum of \$500,000 would enable the City to utilize the reserve funds for energy management related capital projects through the capital budget process. To ensure the reserve is adequately funded, additional sources of funding should be considered as part of the update to the Financial Strategy.

6.0 Financial Implications

There are no financial implications resulting from the recommendations of this report.

7.0 Relationship to the Oshawa Strategic Plan

This report supports the guiding principle of financial stewardship, which underlies the Oshawa Strategic Plan. It also responds to the goals of Accountable Leadership (ensure responsiveness, an open and transparent government, and Leader in sustainability), and Environmental Responsibility (less waste generation, proactive environmental management and combat climate change, and cleaner air and water).



Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department